

STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Testimony of
Connecticut Insurance Department

The Committee on Human Services

March 13, 2012

RB No. 5479--An Act Concerning Accountability of Insurers to Consumers

The Connecticut Insurance Department has reviewed RB No. 5479--An Act Concerning Accountability of Insurers to Consumers and has the following comments. A bit of background may be helpful.

The federal minimum loss ratio definition in the Patient Protection and Affordable Care Act is used for purposes of determining when a rebate is provided to consumers. This is a retrospective calculation to refund any excess premiums paid. The loss ratio definition in state law (S. 38a-481 (g) (1)) is used for pricing products and is a prospective calculation for estimating the expected claims to be paid.

This bill sets a minimum loss ratio of 85% for some carriers that make filings under the loss ratio guarantee provisions. Other carriers such as non-profit corporations and federally qualified cooperative insurers, however, are held to a lower standard under this proposed bill. The Insurance Department believes that all issuers of health insurance coverage should be held to the same loss ratio for purposes of a loss ratio guarantee. Please note that only one carrier has filed a loss ratio guarantee under these provisions.

This bill creates two contradictory definitions of medical loss ratio for purposes of the loss ratio guarantee. Using the federal definition of minimum loss ratio would produce an actual loss ratio lower than the definition in current law (section 38a-481 (g) (1)) and this produces a result that is less favorable to the consumer. We recommend deleting all references to the federal loss ratio and keeping the standard that is in current law.

For the same reasons as outlined above, we recommend deleting the revised language in section (l)(e) regarding the National Association of Insurance Commissioners accounting procedures.

Finally, the Commissioner currently has authority to perform a market conduct exam and/or a financial audit, therefore we believe that the audit language in the raised bill is redundant and unnecessary.